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**OFFICE OF CURRENT INTELLIGENCE
CENTRAL INTELLIGENCE AGENCY**

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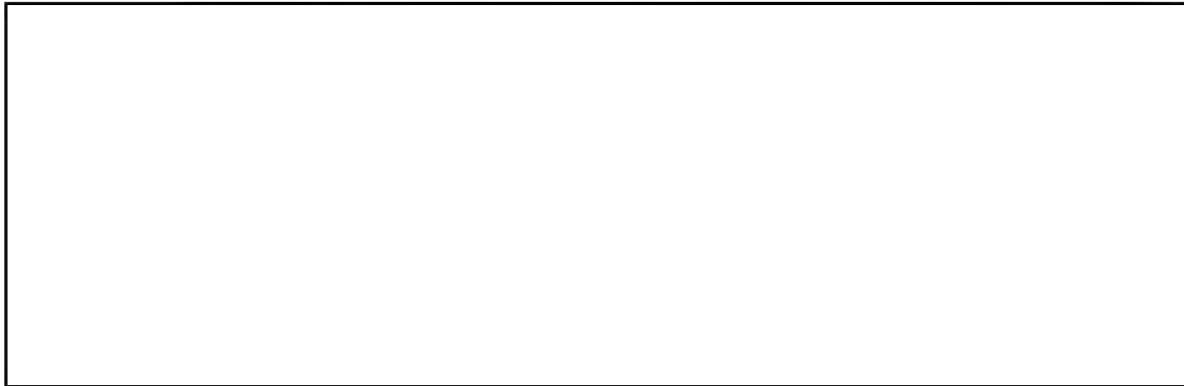
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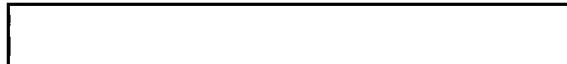
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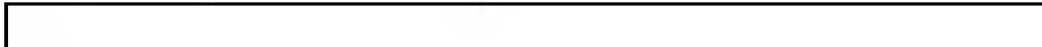
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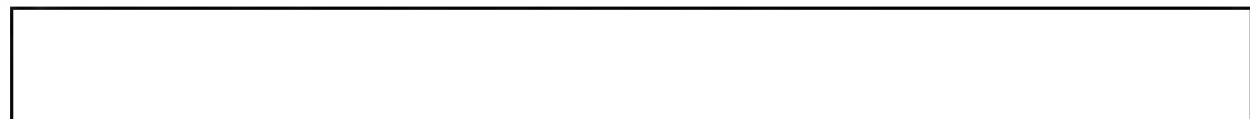
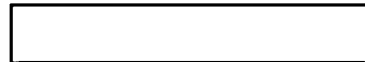
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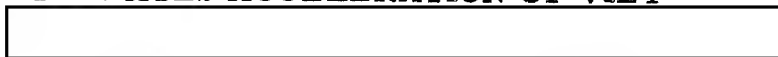
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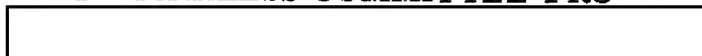
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4. SITUATION IN INDONESIA

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The reported decision of the Ali cabinet to resign on 13 March may have been precipitated by South Sumatra's break with Djakarta. The cabinet's resignation would immediately follow the scheduled announcement on 12 March of President Sukarno's latest version of his "nation-saving concept."

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Meanwhile, tension in East Indonesia is increasing between the territorial commander, Lt. Col. Samuel, and the commander of a special army unit located in Samuel's territory. The commander of this unit, made up principally of Javanese troops, is directly responsible to Djakarta. This commander has refused to recognize Samuel's 2 March coup in the area, and the possibility exists that a countercoup will be attempted.

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5. SARIT MOVING TO CONSOLIDATE POSITION
IN THAILAND

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General Sarit, presently the temporary commander in chief of all Thai military and police forces, appears to be making a strong effort to establish himself

as the strong man of Thailand. Although he has repeatedly expressed his loyalty to Premier Phibun, [REDACTED]

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[REDACTED] he now has let it be known that he would back another man for the premiership unless he was satisfied by Phibun on a number of demands. Chief among these is a desire to assume permanent command of the armed forces, inclusion of more of his supporters in the new cabinet, and the complete elimination of police director general Phao's faction from public positions. [REDACTED]

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Phibun probably hopes to work out a new balance between the Phao and Sarit factions, in order to maintain his own position. For the moment, however, he appears to be acceding to Sarit's demands, and is reported to have stated that he would agree to Phao's removal.

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6. POLES FEAR NEW SOVIET PRESSURES

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Polish foreign minister Rapacki's recent visit to Moscow, ostensibly to sign a treaty concerning the Baltic Sea frontier, has aroused popular fears of renewed Soviet pressures on Poland. General opinion in Warsaw is that the actual purpose of his trip is a "more important and dangerous" matter,

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The Soviet ambassador to Poland has been in Moscow for more than a month, possibly to participate in the preparation of a new Polish policy,

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Comment

While so far Gomulka's concessions to the pro-Soviet faction of his party are in accord with his own views and his efforts to restore party unity, he would probably resist further Soviet demands, particularly any interference in Polish economic affairs.

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8. SOUTH VIETNAM ANTICIPATES ACCELERATION OF
VIET MINH TERRORISM

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[REDACTED] The South Vietnamese government has issued an alert against possible Viet Minh sabotage in the Saigon area, the American army attaché reports. According to a 4 March memorandum from chief of staff

General Ty, the government has been informed that the Viet Minh is considering a plan to destroy Saigon's electric power plant to facilitate other acts of sabotage and uprisings in the ensuing darkness. Government agencies were requested to take immediate steps to provide the facilities for generating emergency electrical power. [REDACTED]

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Comment

The assassination attempt against President Diem last month, a suspected coup plot in the armed forces, and the recent increase in dissident activities have raised fears in Saigon that an organized terrorist campaign by the Viet Minh aimed at overthrowing the Diem government is developing.

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9. OVERSEAS CHINESE-VIETNAMESE RELATIONS

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Saigon's last-minute extension by one month of the deadline for implementing a decree requiring all Chinese born in Vietnam to accept Vietnamese citizen-

ship appears to have only temporarily averted a serious crisis in South Vietnamese-Chinese Nationalist relations. Noncompliance with the nationality requirement, announced last August, has become a rallying point for passive resistance by the Overseas Chinese to various government decrees aimed at subordinating their economic and political independence to the Saigon government. Taipei, fearful that its failure to intervene would only benefit Peiping, has vigorously interceded on behalf of the Overseas Chinese in a vain effort to work out a compromise solution with Diem.

Diem, however, has shown no disposition to back down on his goal of "Vietnamization" of the local Chinese. Unless some "face-saving" solution is achieved before the new deadline of 8 April, rising agitation among the nearly 1,000,000 Chinese in South Vietnam could lead to communal violence.

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10. JAPANESE REACTION TO FAIRLESS COMMITTEE PROPOSALS FOR ASIA

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[REDACTED]

Japanese press and trade circles are skeptical of the Fairless Committee proposals for an Asian common market, the American embassy in Tokyo reports.

The Asian common market proposal is felt to be premature because of Southeast Asia's lack of economic capacity and its political instability. Furthermore, there is some fear that regionalization of trade through various common markets would create economic blocs which would be detrimental to world and Japanese trade.

The Japanese favor co-ordination of economic aid programs, interpreting this to mean US-Japanese co-operation in Southeast Asian development. They cite the "long history of past Japanese failures" to evoke American interest in such a scheme, however, as evidence that no concrete developments are likely.

Comment

The Japanese are giving priority to re-establishing their economic position in Southeast Asia but are concerned lest an aggressive approach on their part be interpreted in Southeast Asia as an effort at economic domination.

The Japanese feel that the European Common Market will inevitably work to their disadvantage, and apparently have decided to oppose any restrictive aspects which develop.

[REDACTED]

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